

Senate Bill No. 17

CHAPTER 12

An act to add and repeal Sections 17053.84 and 23684 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor October 8, 2001. Filed with
Secretary of State October 9, 2001.]

LEGISLATIVE COUNSEL'S DIGEST

SB 17, Brulte. Income and bank and corporation tax credits: solar energy systems.

The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would, under both laws, allow until January 1, 2006, a credit in an amount equal to the lesser of (a) either 15% or 7¹/₂% of the net cost paid or incurred by a taxpayer during the taxable year for the purchase and installation on property in this state of a solar energy system for the production of electricity, or (b) the applicable dollar amount per rated watt of generating capacity of that same system, as provided.

This bill would take effect immediately as a tax levy.

The people of the State of California do enact as follows:

SECTION 1. Section 17053.84 is added to the Revenue and Taxation Code, to read:

17053.84. (a) For each taxable year beginning on or after January 1, 2001, and before January 1, 2004, there shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount equal to the lesser of 15 percent of the cost that is paid or incurred by a taxpayer, after deducting the value of any other municipal, state, or federal sponsored financial incentives, during the taxable year for the purchase and installation of any solar energy system installed on property in this state, or the applicable dollar amount per rated watt of that solar energy system, as determined by the Franchise Tax Board in consultation with the State Energy Resources Conservation and Development Commission.

(b) For each taxable year beginning on or after January 1, 2004, and before January 1, 2006, there shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount equal to the lesser of 7.5 percent of the cost that is paid or incurred by a taxpayer, after deducting



the value of any other municipal, state, or federal sponsored financial incentives, during the taxable year for the purchase and installation of any solar energy system installed on property in this state, or the applicable dollar amount per rated watt of that solar energy system, as determined by the Franchise Tax Board in consultation with the State Energy Resources Conservation and Development Commission.

(c) For purposes of this section:

(1) “Applicable dollar amount” means four dollars and fifty cents (\$4.50) for any taxable year beginning on or after January 1, 2001, and before January 1, 2006.

(2) “Solar energy system” means a solar energy device, in the form of either a photovoltaic or wind-driven system, with a peak generating capacity of up to, but not more than 200 kilowatts, used for the individual function of generating electricity, that is certified by the State Energy Resources Conservation and Development Commission and installed with a five-year warranty against breakdown or undue degradation.

(3) A credit may be allowed under this section with respect to only one solar energy system per each separate legal parcel of property or per each address of the taxpayer in the state.

(4) No credit may be allowed under this section unless the solar energy system is actually used for purposes of producing electricity and primarily used to meet the taxpayer’s own energy needs.

(d) No other credit and no deduction may be allowed under this part for any cost for which a credit is allowed by this section. The basis of the solar energy system shall be reduced by the amount allowed as a credit under subdivision (a) or (b).

(e) No credit shall be allowed to any taxpayer engaged in those lines of business described in Sector 22 of the North American Industry Classification System (NAICS) Manual published by the United States Office of Management and Budget, 1997 edition.

(f) If any solar energy system for which a credit is allowed pursuant to this section is thereafter sold or removed from this state within one year from the date the solar energy system is first placed in service in this state, the amount of credit allowed by this section for that solar energy system shall be recaptured by adding that credit amount to the net tax of the taxpayer for the taxable year in which the solar energy system is sold or removed.

(g) In the case where the credit allowed by this section exceeds the “net tax,” the excess may be carried over to reduce the “net tax” in the following year, and the succeeding seven years if necessary, until the credit is exhausted.

(h) This section shall remain in effect only until December 1, 2006, and as of that date is repealed.

SEC. 2. Section 23684 is added to the Revenue and Taxation Code, to read:

23684. (a) For each taxable year beginning on or after January 1, 2001, and before January 1, 2004, there shall be allowed as a credit against the “tax,” as defined in Section 23036, an amount equal to the lesser of 15 percent of the cost that is paid or incurred by a taxpayer, after deducting the value of any other municipal, state, or federal sponsored financial incentives, during the taxable year for the purchase and installation of any solar energy system installed on property in this state, or the applicable dollar amount per rated watt of that solar energy system, as determined by the Franchise Tax Board in consultation with the State Energy Resources Conservation and Development Commission.

(b) For each taxable year beginning on or after January 1, 2004, and before January 1, 2006, there shall be allowed as a credit against the “net tax,” as defined in Section 17039, an amount equal to the lesser of 7.5 percent of the cost that is paid or incurred by a taxpayer, after deducting the value of any other municipal, state, or federal sponsored financial incentives, during the taxable year for the purchase and installation of any solar energy system installed on property in this state, or the applicable dollar amount per rated watt of that solar energy system, as determined by the Franchise Tax Board in consultation with the State Energy Resources Conservation and Development Commission.

(c) For purposes of this section:

(1) “Applicable dollar amount” means four dollars and fifty cents (\$4.50) for any taxable year beginning on or after January 1, 2001, and before January 1, 2006.

(2) “Solar energy system” means a solar energy device, in the form of either a photovoltaic or wind-driven system, with a peak generating capacity of up to, but not more than 200 kilowatts, used for the individual function of generating electricity, that is certified by the State Energy Resources Conservation and Development Commission and installed with a five-year warranty against breakdown or undue degradation.

(3) A credit may be allowed under this section with respect to only one solar energy system per each separate legal parcel of property or per each address of the taxpayer in the state.

(4) No credit may be allowed under this section unless the solar energy system is actually used for purposes of producing electricity and is primarily used to meet the taxpayer’s own energy needs.

(d) No other credit and no deduction may be allowed under this part for any cost for which a credit is allowed by this section. The basis of the solar energy system shall be reduced by the amount allowed as a credit under subdivision (a) or (b).

(e) No credit may be allowed to any taxpayer engaged in those lines of business described in Sector 22 of the North American Industry Classification System (NAICS) Manual published by the United States Office of Management and Budget, 1997 edition.

(f) If any solar energy system for which a credit is allowed pursuant to this section is thereafter sold or removed from this state within one year from the date the solar energy system is first placed in service in this state, the amount of credit allowed by this section for that solar energy system shall be recaptured by adding that credit amount to the tax of the taxpayer for the taxable year in which the solar energy system is sold or removed.

(g) In the case where the credit allowed by this section exceeds the “tax,” the excess may be carried over to reduce the “tax” in the following year, and the succeeding seven years if necessary, until the credit is exhausted.

(h) This section shall remain in effect only until December 1, 2006, and as of that date is repealed.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

